July 19, 2021

Notice of Filing of Shelf Registration Statement for Issuance of New Shares and Reduction of Amount of Capital Stock and Capital Reserve Simultaneously with Issuance of New Shares

create restaurants holdings inc. announces that at the board of directors meeting held on July 19, 2021, the Company resolved to file a shelf registration statement for the issuance of new shares. And at the same time as the issuance of the Company's common shares, the Company will reduce the amount of capital stock and capital reserve and to transfer them to Other Capital Surplus (hereinafter referred to as the "Reduction of the Amount of Capital Stock, etc.") Details are as follows.

I. Background to the Filing of Shelf Registration Statement and the Reduction in the Amount of Capital, etc.

Since its establishment in 1999, our Group has expanded through a "multi-brand, multi-location strategy", which develop various brands suited to prime locations and change these brands to meet customer needs. From 2013 onward, we have aggressively conducted M&A, leveraging the advantages of group companies with diverse corporate cultures to achieve further growth centered on Group Federation Management, which aims to grow as a group.

As in the previous year, the Japanese economy was affected by the outbreak of COVID-19. On July 12, the government declared its fourth State of Emergency in Tokyo, and the the State of Emergency in Okinawa Prefecture was extended. As for the future, there are some positive signs, such as the gradual progress of vaccination, and a gradual recovery is expected toward the second half of 2021 despite its uncertainties.

In the restaurant industry, there is a need to respond to changes in lifestyles, such as the penetration of remote work and the self-restraint of companies. In addition, the number of customers is declining due to requests for self-restraint in business and shortening of business hours, etc. due to the issuance of emergency declarations by governments and local governments and various requests related to priority measures to prevent the spread of COVID-19. However, the harsh business environment is being seen with the expansion of the cooperative allowance system by each local government.

Under these circumstances, our group cooperated to prevent the spread of infections and to protect the health of our employees. In response to the requests from governments and local governments for shorter business hours and the ban on the provision of alcoholic beverages, we temporarily suspended many outlets, particularly in the izakaya format in downtown areas. On the other hand, since last year we have continued to strengthen operations to reduce personnel expenses, rent, and other fixed costs. At the same time, we have promoted a shift to a lean cost structure by thoroughly closing outlets, mainly unprofitable outlets. At the same time, we have established a system that can respond to the decline in sales revenues due to the impact of the new Corona Virus infectious disease by applying for employment adjustment subsidies and subsidy for cooperation of shorten operating hours, etc. As a result, even in the first quarter of the fiscal year ending February 2022, which continued to be severely affected by COVID-19, our company was able to secure a profit in operating profit and other profit levels. As a result of the aforementioned measures, we have established a system to appropriately control revenues and expenses in the event of a decline in revenues even after the first half of the fiscal year ending February 2022.

In addition, the Company has secured sufficient working capital to endure such situation until the infection is controlled, through cash on hand and loans from financial institutions in the fiscal year ended February 2021. Furthermore, as a result of procuring funds through a perpetual subordinated loan in February 2021, financial stability has also been ensured. We disclosed our medium-term management plan on July 14, 2021, and we plan to continue to strive for sustainable profit growth by capturing growth opportunities in post-COVID era. (Please refer to "II. Medium-Term Management Plan" below for details of the Medium-Term Management Plan.)

Under such circumstances, we have determined that it is desirable and reasonable to further expand our financial base and secure funds for growth from the viewpoint of enhancing our corporate value and shareholder value. Accordingly, we have filed a shelf registration statement for the issuance of new shares as of today to establish a system to implement flexible capital procurement in the future. Proceeds from the issuance of new shares will be used to repay long-term borrowings, including perpetual subordinated loans, fund new outlet openings, business format changes and renovations to review the portfolio toward post-COVID era, which is a pillar of the growth strategy in the medium-term management plan, and to fund DX promotion.

In addition, in the event that new shares are issued through a public offering of shares of common stock of the Company (the "Public Offering") and a third-party allotment through the exercise of a greenshoe option associated with the public offering (the "Third-party Allotment" and, together with the Public Offering, referred to as the "Capital Increase"), our company has decided to simultaneously reduce the amount of capital stock and capital surplus to be increased by the same amount and reclassify them to other capital surplus. (The reduction in the amount of capital stock and capital surplus due to the Public Offering is referred to as the "reduction in the amount of capital stock, etc. related to the Public Offering," and the reduction in the amount of capital stock and capital surplus due to the Third-party Allotment is referred to as the "reduction in the amount of capital stock, etc. related to the Third-party Allotment"). This is intended to improve the flexibility and mobility of the capital policy, etc. after the Capital Increase, and to maintain the current amount of capital, etc. even after the issuance of new shares.

The specific timing of the issuance of new shares, the offering method, the terms of the issuance, the total amount of the issuance and the details of the use of funds have not been determined at this time. In the future, decisions will be made after careful consideration of market conditions and other factors in a comprehensive manner. We will promptly disclose the details when they are decided.

II. **Medium-Term Management Plan**

In the medium-term management plan announced on July 14, 2021, the Group decided to maximize its ability to respond to change, which is one of the Group's strengths, to achieve sustainable profit growth in light of the external environment where customer needs are rapidly changing, withdrawal and closure of outlets from the restaurant industry, and outflow of human resources are surfacing.

Specifically, during the next three years, the period of the Medium-Term Management Plan, we will focus on ① reviewing our portfolio toward post-COVID era, ② further evolving Group Federation Management through rebalancing of centripetal force and centrifugal force within the Group, and ③ improving productivity through the promotion of DX and responding to human resource shortages as the three pillars of our growth strategy, with the aim of becoming a corporate group that continues to provide "affluence" to stakeholders through our food business. The term "stakeholders" refers to customers and society, business partners, employees, and shareholders. We are committed to providing our customers and society with safe and secure restaurants, cuisine, and services that are loved by the community, to building long-term mutually beneficial relationships with our business partners, to providing our employees with stable employment and a variety of work styles, and to providing our shareholders with sustainable growth in profits.

The first pillar of our growth strategy is to review our portfolio toward post-COVID era. We aim to achieve sustainable growth as a winner in the restaurant industry by identifying new changes in customer demand and rebuilding an efficient portfolio that adapts these changes by making full use of our Group's distinctive ability to respond to changes. Due to the prolonged effects of COVID-19, it is expected that some companies in the restaurant industry will tend to increase their withdrawal from the market or close their businesses due to poor performance, while the Group's potential capacity to open new outlets and M&A opportunities are expected to increase. In this environment, our Group, as a winner in the restaurant industry, aims to become a corporate group that grows sustainably by accurately assessing new changes in demand and rebuilding an efficient portfolio that adapts these changes. Specifically, we will shift our brands from "unusual and corporate entertainment demand" to "daily-use (plus α), family and friends, low price, and specialty”. In terms of locations, we will shift our focus from "central Tokyo, prime locations, and office buildings" to "suburbs and residential areas" to rebuild our portfolio with a new combination of business category and location. To achieve these goals, we plan to resume the opening of 30 new outlets per year from the fiscal year ending February 2023 onwards, but we will set stricter criteria for investment efficiency and place more emphasis on quality than ever before. We will also emphasize investment efficiency in outlet closures, and promptly and aggressively withdraw if existing outlets reach a level that does not meet the standards. In addition, business format changes will capture more new customer needs than in the past and implement non-contact services, fast casual operations, and take-out and delivery services. In M&A, we plan to utilize our experience to acquire brands and business categories that will continue to be supported for a long time in post-COVID era. We will move away from conventional M&A with an eye to expanding scale, and aim to acquire those that will contribute to complementing and strengthening our newly established portfolio with careful selection. We plan to focus on relatively small but edgy brands as well as community-based brands. In addition, if there is a portfolio within the Group that does not meet the investment efficiency criteria, we will also consider future carve-outs and intra-Group reorganizations.

The second pillar of our growth strategy is to further evolve Group Federation Management by rebalancing the centripetal force and centrifugal force within the Group. There is no change in the basic stance of "Group Federation Management," which aims to achieve growth by respecting and cooperating with the individuality of each group company. However, we will re-balance the definition of centripetal force and centrifugal force and the division of roles. Specifically, the holding company create restaurants holdings inc., which is responsible for centripetal force, reorganizes group operating companies (consolidating create restaurants inc. and create sports and leisure Inc.), makes decisions on investments and withdrawals by consolidating location information (consolidating roadside property information into our company, etc.), pursues further synergies through the consolidation of back-office functions (planning to establish a joint venture with SFP Holdings for purchasing functions, etc.), promotes cross-organizational reallocation of human resources within the Group, and enhances the efficiency and sophistication of head office functions based on DX missions, we will strengthen our cohesiveness in promoting digital marketing, etc. On the other hand, the group companies, which are responsible for centrifugal force, will aim to deepen the provision of outlets and services that are safe and secure for customers and loved by the community by developing new brands to meet post-COVID demand and strengthening the product and service capabilities of existing outlets.

The third pillar of our growth strategy is to "improve productivity and respond to human resource shortages by promoting DX." As a DX mission, we have established the idea that "people (customers and employees) are the foundation of our Group's business, and they will not change even if the times change in the post-COVID era." By promoting DX, we will save labor for operations that can be streamlined and automated, maximize the time involved in employee customer service, and improve customer satisfaction. We also aim to improve customer convenience by introducing digital technologies. Specifically, the Group will consider ① the use of efficient IT tools using cloud and SaaS, standardization of back-office operations and the use of RPA and BI as items for improving the efficiency of back-office operations, and ② the use of labor-saving, cost-cutting and revenue-expanding items for outlet operations, such as self-ordering, labor-saving through self-accounting, sales forecasting and shifting through AI, automation of ordering operations, and an on-line reservation system (integration of a member service certification base). In connection with this matter, the Company has also entered into a partner agreement with SoftBank Corp. for the promotion of DX.

Ⅲ. Filing of Shelf Registration Statement for Issuance of New Shares

We have filed an issuance registration statement for the issuance of our common stock, as described below, as of the date hereof.

The specific timing of the issuance of new shares, the offering method, the terms of the issuance, the total amount of the issuance and the details of the use of funds have not been determined at this time.

(1)Types of shares offered	Shares of our common stock
(2)Expected period of issuance	Scheduled date of issuance registration through one year from July 28, 2021 to July 27, 2022
(3)Offering amount	Up to 20 billion yen.
(4)Offering method	TBD
(5)Use of proceeds from the current offering	The Company plans to use the proceeds to repay long-term debt (including perpetual subordinated loans), fund store-related investments and DX promotion funds, and fund investments and loans by subsidiaries.
(6)Underwriters (securities company) for the offering	TBD

The reason for choosing the Shelf Registration is that the Shelf Registration will enable the Company to obtain the approval of the creditors of the Company prior to the share offering schedule, as described in "IV. Reduction of Capital and Capital Reserve Simultaneously with the Issuance of New Shares" below, in order to flexibly conduct the share offering and make the effective dates of the Capital Increase and reduction the same by initiating the one-month creditor objection procedures for the reduction of capital and capital reserve.

The planned issuance amount is based on the estimated use of funds at the current stage, including the investment for the review of the portfolio toward post-COVID era, which is incorporated in the medium-term management plan.

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IV. Reduction of Capital and Capital Reserve Simultaneously with the Issuance of New Shares

1. Purpose of Reduction of Amount of Capital and Capital Reserve

Through the implementation of this Capital Increase, the Company will reduce the amount of capital and capital reserve, respectively, and transfer them to other capital surplus in order to further expand its financial base and secure funds for growth, thereby enhancing its corporate value, and to prepare for future flexible capital policy.

2. Guidelines for Reduction of Amount of Capital and Capital Reserve

(1) Amount of capital to be reduced

①Reduction in the amount of capital increased due to the Capital Icrease through the Public Offering

10 billion yen (provided, however, that if the amount of capital to be increased simultaneously as a result of the Public Offering is less than this amount, such amount shall be limited to the amount of capital to be increased by the issuance of new shares as a result of the Public Offering, and therefore, the amount of capital after the effective date shall not be less than the amount of capital before the same day.)

②Reduction in the amount of capital to be increased due to the Capital Increase through the Third-party Allotment

1.5 billion yen (provided, however, that if the amount of capital to be increased simultaneously through the Capital Increase through the Third-party Allotment is less than this amount, the amount of capital to be increased by the issuance of new shares through the Third-party Allotment will not be less than the amount of capital before the same day as the amount of capital after the effective date).

(2) Amount of capital reserve to be reduced

①Reduction in the amount of capital to be increased due to the Capital Increase through the Public Offering

10 billion yen (provided, however, that if the amount of capital reserve to be increased simultaneously as a result of the Public Offering is less than this amount, such amount shall be limited to the amount of capital reserve to be increased by the issuance of new shares as a result of the Public Offering, and therefore, the amount of capital reserve after the effective date shall not be less than the amount of capital reserve before the same date).

②Reduction in the amount of capital reserve to be increased due to the Capital Increase through the allocation of new shares to a third party

1.5 billion yen (provided, however, that if the amount of capital reserve to be increased simultaneously due to the Capital Increase through the Third-party Allotment is less than this amount; as the amount of capital reserve will be limited to the amount of capital reserve to be increased by the issuance of new shares through the Third-party Allotment, the amount of capital reserve after the effective date will not be less than the amount of capital reserve before the same date).

(3) Method of Reduction in Amount of Capital and Capital Reserve

Pursuant to the provisions of Article 447, Paragraphs 1 and 3 and Article 448, Paragraphs 1 and 3 of the Companies Act, the amount of stated capital and capital reserve will be reduced as described above and transferred to other capital surplus in full.

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3. Schedule of Reduction in Amount of Capital and Capital Reserve

Resolution of the Board of Directors on Reduction of the Amount of Capital, etc.	July 19, 2021
Public notice of objection to creditors (scheduled)	July 20, 2021
Last date of objection to creditors (scheduled)	August 20, 2021
Effective date of the reduction in the amount of capital, etc. related to this public offering (planned)	Any date until July 27, 2022 (except on the same date as the payment date for the Public Offering)
Effective date of the reduction in the amount of capital, etc. related to the Capital Increase through Third-party Allotment (planned)	Any date during the period until July 27, 2022 (provided, however, that the same date as the payment date of the Capital Increase through Third-party Allotment)

4. Future outlook

This reduction in the amount of capital stock, etc. is a transfer between accounts in the net assets section of the balance sheet and will not cause any change in the Company's net assets, nor will it have any impact on the Company's business performance.